

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

C O N F I D E N T I A L STATE 020882

E.O. 11652: GDS

TAGS: ENRG, VE, US

SUBJECT: ENERGY: OIL COMPANY DEALINGS WITH VENEZUELAN
PRESIDENT ELECT

REF: CARACAS 838

1. AS EMBASSY AWARE DEPARTMENT HAS RECENTLY BEEN CONSULT-
ING WITH MAJOR OIL COMPANY REPRESENTATIVES TO UPDATE
ITS UNDERSTANDING THEIR VIEWS AND LEVELS OF INTEREST
WITH RESPECT ONGOING OPERATIONS IN VENEZUELA. MEMCONS
IN PROCESS PREPARATION AND WILL BE POUCHED TO EMBASSY
SOON AS POSSIBLE.

2. COMPANIES HAVE IN GENERAL DISPLAYED CONTINUING
INTEREST IN VENEZUELA, RECOGNITION THAT SIGNIFICANT
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CHANGES ARE IMMINENT IN GOVERNMENT-INDUSTRY RELATIONS,

EXPECTATION THAT AD ADMINISTRATION WILL ADOPT PRACTICAL ATTITUDE TOWARD FOREIGN SOURCES OF NEEDED TECHNOLOGY AND MANAGERIAL KNOW-HOW, BELIEF THAT COMPANIES CAN HAVE USEFUL ROLE IN FUTURE OF INDUSTRY, AND ASSESSMENT THAT TIME IS AT HAND OR VERY NEAR FOR REALISTIC DIALOGUE WITH PRESIDENT-ELECT AND/OR HIS APPROPRIATE ADVISORS.

3. WITH RESPECT ORINOCO TAR BELT, WE HAVE FOUND COMPANIES GENERALLY AGREED THAT THIS IS SIGNIFICANT AND INTERESTING COMPONENT OF VENEZUELAN PETROLEUM RESERVES, ESPECIALLY UNDER NEW PRICE CONDITIONS, BUT THAT IT WILL REQUIRE 8-10 YEAR TIME FRAME, LARGE CAPITAL INVESTMENT AND VERY DIFFICULT TECHNOLOGY. TWO COMPANIES SAID THAT INVESTMENT IN TAR BELT MUST NOW COMPETE WITH ALTERNATIVE PROJECTS IN U.S., WHICH ALSO BECOME ENHANCED BY NEW PRICE LEVELS AND DOMESTIC INCENTIVES.

4. TO BE RESPONSIVE TO REFTTEL, OUR READING OF COMPANY STATEMENTS AND ATTITUDES SUGGESTS THAT ALL ARE AWARE OF INEVITABILITY OF CHANGE, ALIVE TO OPPORTUNITIES WHICH THEY BELIEVE CAN LIE AHEAD, AND HAVE BEEN EXPLORING TERRAIN FOR USEFUL DISCUSSIONS WITH PROSPECTIVE OFFICIALS OF INCOMING GOV. AS MIGHT BE EXPECTED, DIFFERENT POSITIONS, SCALE OF OPERATIONS, AND CORPORATE PHILOSOPHIES GIVE RISE TO DIFFERING TACTICAL APPROACHES. ALTHOUGH THERE WAS SOME DIFFERENCE OF OPINION AS TO EXACT FORM NEW COMPANY-GOV RELATION WOULD ASSUME, MOST COMPANIES THOUGHT THAT GOV MIGHT PROMOTE SERIES OF REGIONAL CONSORTIA THAT WOULD ASSIMILATE EXISTING PATCHWORK OF CONCESSIONS. WE GOT GENERAL OPINION THAT GOV WILL PROBABLY MOVE TO SOME KIND OF IRANIAN-TYPE ARRANGEMENT WHEREBY VENEZUELA WILL ASSUME FULL OWNERSHIP OF PRODUCING AREAS WITH COMPANIES PROVIDING THEIR SERVICES IN EXCHANGE FOR ASSURED PURCHASE RIGHTS. ENCOURAGING ASPECT IS WIDESPREAD TENDANCY AMONG COMPANIES TO EMPHASIZE FLEXIBILITY IN DEALING WITH EMERGING SITUATION. KISSINGER

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